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**UNITED STATES BANKRUPTCY COURT  
CENTRAL DISTRICT OF CALIFORNIA  
SAN FERNANDO VALLEY**

In re:

ICPW LIQUIDATION CORPORATION, a  
California corporation,<sup>1</sup>

Debtor and Debtor in Possession.

In re:

ICPW LIQUIDATION CORPORATION, a  
Nevada corporation,<sup>2</sup>

Debtor and Debtor in Possession.

Affects:

☒ Both Debtors

☐ ICPW Liquidation Corporation, a  
California corporation

☐ ICPW Liquidation Corporation, a Nevada  
corporation.

OFFICIAL COMMITTEE OF EQUITY  
SECURITY HOLDERS of ICPW  
LIQUIDATION CORPORATION, a Nevada  
corporation,

Objector and Plaintiff,

- against -

JEFFREY CORDES and WILLIAM  
AISENBERG,

Claimants and Defendants.

Lead Case No.: 1:17-bk-12408-MB  
Jointly administered with Case No.: 1:17-  
bk-12409-MB; Chapter 11 Cases

Adv. Proc. No.: \_\_\_\_\_

**OBJECTION TO CLAIM NO. 7.1 AND  
CLAIM NO. 8.1 PURSUANT TO FRBP  
3007 and**

**COMPLAINT FOR:**

- (1) Breach of Fiduciary Duty;
- (2) Civil RICO;
- (3) Declaratory Judgment;
- (4) Breach of Contract; and
- (5) Faithless Servant.

The Official Committee of Equity Security Holders (the “Committee”, “Objector” or  
“Plaintiff”) of ICPW Liquidation Corporation (f/k/a Ironclad Performance Wear Corporation), a

<sup>1</sup> Formerly known as Ironclad Performance Wear Corporation, a California corporation.

<sup>2</sup> Formerly known as Ironclad Performance Wear Corporation, a Nevada corporation.

1 Nevada corporation, individually and on behalf of the estates of ICPW NV and ICPW Liquidation  
2 Corporation (f/k/a Ironclad Performance Wear Corporation), a California corporation  
3 (collectively, “Ironclad”), as and for its Objection to the Claims of Jeffrey Cordes (“Cordes”) and  
4 William Aisenberg (“Aisenberg”) and for its Counterclaims, upon knowledge as to its own  
5 actions and upon information and belief as to the other allegations, alleges as follows:

6  
7 **I. INTRODUCTION**

8 1. Having driven Ironclad to financial catastrophe through mismanagement and  
9 misconduct, Cordes and Aisenberg now demand their reward—six-months’ severance. They  
10 predicate their proofs of claim on recent amendments to their employment agreements, which  
11 they induced through fraud and bad faith just months before they quit while under investigation  
12 for their misconduct.

13 2. Cordes and Aisenberg came to Ironclad in 2014 with bold promises to turn the  
14 company around. Then and throughout their tenure, they assured company shareholders and the  
15 Board of Directors that their initiatives would improve Ironclad’s sales and earnings dramatically.  
16 But when their efforts failed, they resorted to cooking the books. In the end, two employees blew  
17 the whistle. The company’s Audit Committee investigated and, with the help of accountants and  
18 counsel, uncovered numerous accounting irregularities. When Cordes and Aisenberg were asked  
19 to clarify these transactions, they had no plausible explanation and abruptly resigned. The  
20 company then determined that it would need to restate its financial statements. The anticipated  
21 and required restatements triggered defaults under various debt covenants, bringing enormous  
22 pressure from Ironclad’s creditors and ultimately compelling this voluntary bankruptcy filing.

23  
24 3. In the bankruptcy, Ironclad had no choice but to sell its operating business, which  
25 it did, in what became essentially a salvage operation. Ironclad’s shareholders suffered severe  
26 losses. They incurred the substantial cost of investigating Cordes and Aisenberg; they incurred  
27 the cost of restating financials; they incurred the vast expenses of a bankruptcy filing and  
28

1 proceeding. And then they were forced to sell off the company's assets in a distressed scenario,  
2 rather than from strength. Total damages are likely to exceed \$10 million dollars.

3 4. That Cordes and Aisenberg are not entitled to severance is axiomatic. That they  
4 must be held responsible for their misdeeds and repay Ironclad for the millions in damages they  
5 caused is equally clear and required by justice.

## 6 **II. JURISDICTION AND VENUE**

7 5. This Court has jurisdiction over this proceeding pursuant to 28 U.S.C. §§ 151, 157,  
8 and 1337. This is a core proceeding under 28 U.S.C. §§ 157(b)(2) (A), (B) (C), and (O). This  
9 adversary proceeding is commended pursuant to Rules 3007 and 7001, et seq., of the Federal  
10 Rules of Bankruptcy Procedure.

11 6. Venue is proper in this Court under 28 U.S.C. §1409.

## 12 **III. PARTIES**

13 7. Prior to the sale of its operating assets in this bankruptcy proceeding, Ironclad  
14 developed, manufactured, and sold high-performance, task-specific work gloves for law  
15 enforcement, first-responders, the military, and industries such as oil and gas exploration and  
16 automotive. The gloves were sold under the proprietary labels, "Kong" and "Ironclad," and under  
17 private-label branding and co-branded labels such as "Built Tough by Ironclad."  
18

19 8. Claimant Cordes is a resident of Southlake, Texas. He was the President, Chief  
20 Executive Officer and a Director of Ironclad from February 2014 to July 4, 2017, when he  
21 resigned while under internal investigation for accounting fraud.

22 9. Claimant Aisenberg is a resident of Carrollton, Texas. He was an Executive Vice  
23 President and the Chief Financial Officer of Ironclad from April 2014 to July 4, 2017, when he  
24 resigned while under internal investigation for accounting fraud.

## 25 **IV. THE CORDES AND AISENBERG CLAIM**

26 10. On October 3, 2017, Jeffrey Cordes filed Claim No. 8-1 in case 1:17-bk-12408-

1 MB, the “Cordes Claim”). Cordes demands \$12,850.00 in alleged unpaid compensation,  
2 \$150,000 in “Severance Pay,” and \$16,906.75 in attorney’s fees, which he claims to have  
3 incurred pre-petition.

4 11. On October 3, 2017, William Aisenberg filed Claim No. 7-1 in case 1:17-bk-  
5 12408-MB, the “Aisenberg Claim”). Aisenberg demands \$12,850.00 in alleged unpaid  
6 compensation, \$112,500 in “Severance Pay,” and \$16,906.75 in attorney’s fees, which he claims  
7 to have incurred pre-petition.<sup>3</sup>  
8

9 12. As explained below, neither Cordes nor Aisenberg is entitled to compensation,  
10 severance or attorneys’ fees. The severance claims are based on a January 1, 2017 amendment to  
11 their employment agreements. In seeking this amendment, Cordes and Aisenberg failed to  
12 disclose to Ironclad’s Board of Directors and its Compensation Committee material information  
13 that they had a fiduciary duty to disclose. These non-disclosures include:

- 14 a. that Cordes and Aisenberg knowingly and willfully caused Ironclad to  
15 record and report revenues that were based on phony sales transactions;  
16  
17 b. that Cordes and Aisenberg knowingly and willfully caused Ironclad to  
18 recognize sales revenues in violation of GAAP in order to manipulate the  
19 timing those revenues were recognized;  
20  
21 c. that Cordes and Aisenberg had repeatedly violated numerous federal  
22 securities laws by manipulating and fabricating revenues; and  
23  
24 d. that Cordes and Aisenberg had engaged in similar misconduct as COO  
25 and CFO, respectively, at their prior employer, Walls Holding Company,  
26 Inc. (“Walls”).

26 13. Had Cordes and Aisenberg honestly accounted for their misconduct and illegal  
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28 <sup>3</sup> Cordes and Aisenberg are represented by the same counsel and presumably their \$16,906.75 attorneys’ fee claims, which are submitted severally, constitute a single obligation.

1 activities, Ironclad's Board of Directors would not have amended their employment contracts to  
2 provide for severance. Indeed, had Cordes and Aisenberg told the truth about their misconduct at  
3 Walls, they would have been terminated soon after they were hired.

4 14. As detailed below, far from being entitled to severance payments, Cordes and  
5 Aisenberg owe the Committee millions of dollars in damages, including:

- 6 a. Ironclad's costs incurred in investigating, restating and disclosing  
7 Ironclad's misreported and fabricated sales and earnings;
- 8 b. Ironclad's equity holders' loss in value caused by the company's  
9 bankruptcy filing and the fire sale of its assets;
- 10 c. Ironclad's attorneys' fees defending the Cordes Claim and the Aisenberg  
11 Claim; and
- 12 d. Compensation, including stock awards, paid to Cordes and Aisenberg  
13 under their employment agreements.

## 14 **V. FACTUAL BACKGROUND**

15 15. 2013 was a disappointing fiscal year for Ironclad. Net sales were \$24,530,853,  
16 down 6.3% from 2012, and net income was \$560,729, down markedly from 2012's net income of  
17 \$3,078,808. Several significant shareholders believed that Ironclad was underperforming and had  
18 sued to halt the company from electing new directors. As part of a settlement, Ironclad agreed to  
19 change the composition of the Board and management. These changes resulted in Ironclad's  
20 hiring of Cordes, as its new Chief Executive Officer, and Aisenberg, as its Chief Financial  
21 Officer.  
22

23 16. Before joining Ironclad, Cordes was President and Chief Operating Officer at  
24 Walls, and Aisenberg was its Chief Financial Officer. In 2013, Williamson-Dickie acquired  
25 Walls, which resulted in the termination of Cordes's and Aisenberg's employment. In late 2013,  
26 an executive recruiting firm introduced Cordes to Ironclad, which was searching for a new chief  
27  
28

1 executive officer.

2 17. Cordes joined Ironclad pursuant to a letter agreement dated February 3, 2014. He  
3 received a salary of \$300,000, with potential for a performance bonus up to \$125,000 based on  
4 revenue and operating income targets, and 2.7 million stock options, subject to vesting over four  
5 years. Section 6 of Cordes's letter agreement contained a severance provision, which provided  
6 for Cordes to receive 12 months' severance pay in the event of a change of control or 6-months'  
7 severance pay if he were terminated. Both provisions disqualified Cordes from collecting  
8 severance if he quit or was terminated for "cause," which is defined to include, *inter alia*,  
9 "engaging in dishonest or fraudulent activities which are injurious to the Company" and "breach  
10 of fiduciary duty to the Company which involves a material personal profit."

12 18. Shortly after joining the company, Cordes persuaded the Board to hire Aisenberg  
13 as its new Chief Financial Officer. Aisenberg joined Ironclad pursuant to a letter agreement dated  
14 April 22, 2014. He received a salary of \$225,000, with a potential incentive bonus of up to 30%  
15 of his salary based on revenue and operating income targets, and 1 million stock options. Section  
16 6 of Aisenberg's letter agreement contained a severance provision, which provided for Aisenberg  
17 to receive 12 months' severance pay in the event of a change of control or 6-months' severance  
18 pay if he were terminated. Both provisions disqualified Aisenberg from collecting severance if he  
19 quit or was terminated for "cause," which is defined to include, *inter alia*, "engaging in dishonest  
20 or fraudulent activities which are injurious to the Company" and "breach of fiduciary duty to the  
21 Company which involves a material personal profit."<sup>4</sup>

24 19. In May 2014, Cordes hired a third Walls alumnus, Tom Felton, to serve as "Senior  
25 Vice President Supply Chain," with an annual salary of \$190,000 and a potential incentive bonus  
26 of up to 25% of his salary based on revenue and operating income targets. The addition of Felton

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27 <sup>4</sup> In early 2017, Cordes and Aisenberg fraudulently induced Ironclad to amend their employment agreements to  
28 entitle them to severance regardless of the circumstances of their termination. As outlined in ¶¶ 89-90 herein, these  
amendments, which are central to their claims for severance, are unenforceable.

1 later proved invaluable to Cordes and Aisenberg. A loyal lieutenant, Felton helped engineer their  
2 fraudulent schemes.

3 20. Soon after the trio of ex-Walls executives joined Ironclad, the Board received  
4 concerning news. Cordes and Aisenberg had been named as individual defendants in a lawsuit  
5 brought by the acquirer of Walls entitled, *Williamson-Dickie Holding Company v. Audax*  
6 *Mezzanine Fund II, L.P.*, dc-14-08309 (Dist. Ct. – Dallas 2014).

7  
8 21. In that lawsuit, Walls alleged that Cordes and Aisenberg engaged in fraudulent  
9 accounting practices, including booking sham sales on products that never shipped to “artificially  
10 inflate[] Walls’ earnings ... by approximately \$800,000” in one transaction and to artificially  
11 inflate sales by \$700,000 in a second sham transaction. Cordes and Aisenberg were accused of  
12 “selling” goods to a factory, never shipping the goods, then buying the unshipped goods back at  
13 inflated prices. Through these round-trip machinations, according to the complaint, Cordes and  
14 Aisenberg were able to boost sales and earnings and inflate the value of the company’s inventory.  
15 Cordes and Aisenberg were also accused of shifting costs into later periods to “fraudulently and  
16 intentionally inflate[] Walls’ earnings” and of “holding the month open” to recognize more sales  
17 within a fiscal period.  
18

19 22. When the Board interviewed Cordes and Aisenberg, they denied the allegations  
20 and claimed that the plaintiff, Williamson-Dickie, had a case of “buyer’s remorse.” The Board  
21 consulted with its counsel and the company’s auditors, and determined that no adverse  
22 employment action was warranted because of a lack of evidence. Months later, Cordes and  
23 Aisenberg reported that the case was settling and then later reported the settlement. By settling  
24 the case, Cordes and Aisenberg kept their misconduct secret.  
25

26 23. On information and belief, Cordes’s and Aisenberg’s denial of the allegations in  
27 the Williamson-Dickie lawsuit was false. Had they been honest, the Board would have  
28

terminated their employment immediately.

### Revenue Recognition Principles

24. Ironclad disclosed to investors its revenue recognition policies in its public financial statements filed with the SEC. Cordes and Aisenberg certified and signed these financial statements attesting to the veracity of these public filings.

25. In the Form 10-K for the Fiscal Year ending December 31, 2013, Ironclad made the following disclosure (repeated in substance in subsequent Form 10-Ks) about its “Revenue Recognition” policy:

Under our sales model, a customer is obligated to pay us for products sold to it within a specified number of days from the date that title to the products is transferred to the customer. Our standard terms are typically net 30 days from the transfer of title to the products to a customer, however, we have negotiated special terms with certain customers and industries. We typically collect payment from a customer within 30 to 60 days from the transfer of title to the products to a customer. Transfer of title occurs and risk of ownership passes to a customer at the time of shipment or delivery, depending on the terms of our agreement with a particular customer. The sale price of our products is substantially fixed or determinable at the date of sale based on purchase orders generated by a customer and accepted by us. A customer’s obligation to pay us for products sold to it is not contingent upon the resale of those products. **We recognize revenue at the time product is shipped or delivered to a customer, based on terms of agreement with a customer.**

26. The emphasized provisions contain the essential elements for the recognition of revenues, as required under Generally Accepted Accounting Principles, and as summarized by the SEC, which synthesized the revenue recognition rule into four basic principles<sup>5</sup>:

- Persuasive evidence of an arrangement exists,
- Delivery has occurred or services have been rendered,
- The seller’s price to the buyer is fixed or determinable, and
- Collectability is reasonably assured.

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<sup>5</sup> <https://www.sec.gov/interps/account/sabcodet13.htm>



1           27. As shown below, Cordes and Aisenberg repeatedly violated these revenue  
2 recognition principles to manipulate Ironclad's reported revenues and income.

3                                   **Fiscal Year 2014**  
4                                   **Cordes's and Aisenberg's First Year**

5           28. Cordes's and Aisenberg's first year—2014—was a rebuilding year. Ironclad's  
6 results did not improve over the prior year. Net sales in 2014 of \$24,283,552 were slightly lower  
7 than 2013's net sales of \$24,530,853. Profitability was also slightly down. In 2014, Ironclad had  
8 net income of \$108,701 compared to 2013's \$243,471.

9                                   **Fiscal Year 2015**  
10                                  **Cordes's and Aisenberg's Second Year – The Fraud Begins**

11           29. Coming off 2014's lackluster performance, Cordes and Aisenberg reassured  
12 investors that the company was now in a "position to be more competitive" and that they looked  
13 forward to sales growth.<sup>6</sup>

14           30. Yet in the first three quarters of 2015, Ironclad's performance failed to improve.  
15 Key shareholders voiced concerns about the company's results and strategic direction. Cordes  
16 countered with promises of a turnaround. Thus, with the release of Ironclad's third-quarter  
17 earnings, Cordes predicted "Q4 2015 net sales to exceed Q4 2014 levels by 20%." The prediction  
18 thus set a sales target of \$10,988,598 (as compared to fourth quarter 2014 sales of \$9,145,165).

19           31. Despite Cordes's optimism, Ironclad's fourth quarter performance looked dismal.  
20 On or about December 18, 2015, Cordes informed the Board that Ironclad had suffered a setback  
21 and would not receive expected revenues in the fourth quarter of \$2.3 million from a customer  
22 named "Wesco." But Cordes assured that other "opportunities" would offset the Wesco reduction  
23 and that management's goal was to finish the quarter 5-10% above the fourth quarter of 2014. He  
24 added, "A Q4-2015 increase of 5% would translate to \$9.6 million and end 2015 full year at  
25  
26  
27

28 <sup>6</sup> [https://www.sec.gov/Archives/edgar/data/1301712/000072174815000127/icpw8k030515ex99\\_1.htm](https://www.sec.gov/Archives/edgar/data/1301712/000072174815000127/icpw8k030515ex99_1.htm)

1 \$24.8 million versus \$24.2 million in 2012.”

2 32. By the last days of December 2015, Cordes and Aisenberg recognized that their  
3 predictions had been grossly over-optimistic. Far from exceeding the fourth quarter of 2014 by  
4 20%, sales were trailing.

5 33. To mitigate the impending revenue shortfall, Cordes and Aisenberg began their  
6 fraudulent scheme to boost sales. On December 31, 2015, Ironclad recognized four phony sales  
7 to three customers—Meridian Global, Pace Distributing, and Summit Work Apparel.  
8

9 **Fourth Quarter 2015 – Meridian Global**

10 34. In December 2015, Ironclad engaged in a bogus transaction involving Meridian  
11 Global to inflate its revenues falsely by \$413,640.

12 35. Ironclad contracted with AMS Fulfillment (“AMS”) to provide warehousing and  
13 fulfillment services. AMS is headquartered and maintains warehouse facilities in the Santa  
14 Clarita Valley of California.

15 36. Ironclad provided AMS with a December 30, 2015 purchase order from Meridian  
16 Global for 27,576 “Kong Rigger Grip Cut 5 Quanta” gloves for \$413,640. The Purchase Order,  
17 dated December 4, 2015, directs shipment to DRG Strategic, LLC, Bob Goldstein, 5656 N.  
18 Central Expressway, Dallas, Texas 75206. The address on the purchase order is a residential  
19 building known as the “Highlands Residences.”  
20

21 37. AMS received the order on December 30, 2015 for shipment the next day. But the  
22 requested shipment method was “Will Call.” Ironclad then generated an invoice with a shipping  
23 address of Meridian Global, 28220 Industry Drive, Valencia CA 91355, which is the AMS  
24 warehouse’s own address (not Meridian’s).  
25

26 38. Based on this fictitious order, Ironclad recorded the sale of \$413,640 on December  
27 31, 2015 and deducted the items from inventory. This allowed Ironclad to boost falsely its fourth  
28

1 quarter 2015 sales revenues by \$413,640.

2 39. AMS never shipped the gloves to Meridian Global, which were picked from the  
3 warehouse and then moved to another AMS facility. In early 2016, Ironclad instructed AMS to  
4 remove the “Quanta” label from the gloves and to assign the gloves a new “SKU number.” An  
5 SKU or Store Keeping Unit is an alphanumeric code that companies use to track and manage  
6 inventory. By assigning a new SKU number, Ironclad/Meridian “returned” the unsold gloves to  
7 inventory and ultimately sold them to other customers.

8 40. Meridian Global did not pay Ironclad the invoiced amount of \$413,640. Instead,  
9 Ironclad paid Meridian Global \$41,364 for the “value add work” performed by AMS—in other  
10 words the cost of removing the “Quanta” labels so that the goods could be returned to inventory  
11 under a new SKU number. Ironclad, however, never reversed the \$413,640 sale to Meridian  
12 Global (rather, in the second quarter of 2016, Ironclad repurchased these same gloves from  
13 Meridian Global for a premium).

14  
15 **Fourth Quarter 2015 – Pace Distributing #1**

16 41. In December 2015, Ironclad engaged in two false transactions involving Pace  
17 Distributing.

18 42. In a letter dated December 7, 2015, Cordes confirmed that Ironclad would sell  
19 goods to Pace Distributing to “be held for you in California at a separate warehouse until you can  
20 clear your Canada warehouse” and to “help spread the inventory burden,” the sale would be “on  
21 extended terms.”

22 43. On December 31, 2015, Ironclad recorded a sale to Pace Distributing of 37,016  
23 gloves for \$482,364 (Inv. No. 0206062). The shipping log posted the sale as “shipped,” but the  
24 goods were never actually shipped.

25 44. From this transaction, Ironclad improperly recognized \$482,364 in sales in the  
26

fourth quarter of 2015.

**Fourth Quarter 2015 – Pace Distributing #2**

45. On December 31, 2015, Ironclad recorded a purchase order from Pace Distributing for 33,080 gloves for \$494,126.

46. Ironclad posted the order as having shipped on December 31, 2015, but did not actually instruct AMS to pick the goods from inventory until February 19, 2016. AMS requested an order number, but was told, on information and belief, that this was a “special situation” and no order number would be provided.

47. On March 10, 2016, AMS completed picking the inventory, but it was not shipped. In September and October 2016, the goods were returned to inventory.

48. From this transaction, Ironclad improperly recognized revenues in the amount of \$494,126 in the fourth quarter of 2015. These goods never shipped and the invoice was never paid.

**Fourth Quarter 2015 – Summit Work Apparel**

49. On December 31, 2015, Ironclad generated an invoice for the sale of work gloves to Summit Work Apparel in the total amount of \$170,867.60. Unlike the Meridian Global and Pace orders, AMS shipped part of the order and Ironclad shipped another part, and did so before year end. Based on the invoice and the shipments, Ironclad recognize the revenues from the sale to Summit Work Apparel (“Summit”) in the fourth quarter of 2015.

50. But the revenues from the Summit transaction were fraudulently created by Cordes and Aisenberg. The goods should never have shipped and Ironclad had no right to recognize the revenue. This is all shown by emails involving Cordes and Aisenberg, which are summarized below.

51. The origin of the Summit transaction is not yet known, but clearly Summit was not interested in placing an order. On December 30, 2015, Cordes intervened directly with Summit’s

1 owner, Alan Habash. In a December 30, 2015 email, Cordes assured Habash that if Summit takes  
2 the proposed order, Ironclad “will get you out of items that are not moving.” Explaining why he  
3 was offering this no risk deal, Cordes stated: “Our year end desire to make numbers is your  
4 winning ticket.” Despite the assurances, Habash did not want the goods because Summit already  
5 had sufficient inventory levels and felt that additional inventory would “outstrip demand.”

6 52. Despite the absence of an agreement, on December 31, 2015, Ironclad directed  
7 AMS to ship the “ordered” goods to Summit.  
8

9 53. On January 5, 2016, a senior accountant at Ironclad informed Aisenberg about the  
10 shipment to Summit and advised of the need to do a Return Goods Adjustment (RGA):

11 Bill

12 Keri just told me that they are going to do an RGA on the Summit  
13 invoice because it wasn’t supposed to ship, although it did ship. I  
14 think it was the same situation as the Action Specialties invoice<sup>7</sup>  
from 12/30/15. The dollar amount for that invoice is \$170,867.60.  
However, if they do a return, it will be in 2016.

15 54. A few days later, on January 8, 2016, Tom Felton wrote to Aisenberg: “After we  
16 have included all of the invoices that were missed, the Q4 grand total is \$8,904[,000]. That puts  
17 us at \$24m [\$24 million] for the year. *This includes the \$170[,000] for Summit that we are*  
18 *leaving in Q4. Will reverse in Q1 2016.*” Aisenberg forwarded the e-mail to Cordes.  
19

20 55. By recognizing false revenues on the last day of the year, Ironclad’s fourth quarter  
21 sales in 2015 were \$8,421,860 and its year-end sales were \$23,582,019. Compared to 2014, the  
22 company’s total revenues declined by 2.89%— not good, but far less than the true decline of  
23 5.8%.

24 56. On January 4, 2016, Cordes issued a “year-end update” to the Board. He wrote,  
25 “at this point, we are expecting revenues for the 4<sup>th</sup> quarter of 2015 to be approximately 8.3  
26 million, a 9% drop from 2014.” He added that the full year revenues “are \$23.5 million and  
27

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28 <sup>7</sup> The Action Specialties order, which shipped on 12/30/2015 and was returned early in 2016, was for \$102,269.52.

1 3.2% off 2014.” The update contained a detailed explanation for the shortfall and the efforts by  
2 Ironclad to replace the lost revenues.

3 57. Cordes did not inform the Board that a substantial number of the sales, all  
4 occurring on the last day of the year, were fraudulent.

5 **Fiscal Year - 2016**  
6 **First Quarter 2016 – Consolidated Companies of Canada**

7 58. In 2016, Cordes again assured investors and the Board that Ironclad would  
8 increase sales and profitability. Cordes and Aisenberg continued their scheme.

9 59. On the last day of the quarter, March 31, 2016, Ironclad recorded a sale in the  
10 amount of \$264,285 to Consolidated Group of Companies Canada. The items that were  
11 supposedly ordered consisted of closeout items. AMS’s tracking system indicates that the  
12 shipping method was “Will Call.” Yet the goods never shipped and the buyer did not pick them  
13 up.  
14

15 60. The next quarter, in June 2016, both sales were cancelled.

16 61. By falsely recognizing this sale, Ironclad’s quarterly performance exceeded the  
17 prior year’s quarter by 10%. Cordes boasted that he was “pleased to report a 10% increase in  
18 revenues this quarter.”<sup>8</sup>

19 **Second Quarter 2016 – Meridian Global & Two Waters Trading**

20 62. Cordes and Aisenberg continued their fraudulent practices in the second quarter of  
21 2016. On the last day of June, Ironclad improperly recognized two quarter-end sales to Meridian  
22 Global and Two Waters Trading in the total amount of \$395,603.

23 63. But before engaging in their typical end of quarter fraudulent sales bolstering,  
24 Cordes and Aisenberg had to “clean up” their previous fraudulent Meridian Global order from  
25  
26

27 <sup>8</sup> [https://www.sec.gov/Archives/edgar/data/1301712/000072174816001248/icpw8k051116ex99\\_1.htm](https://www.sec.gov/Archives/edgar/data/1301712/000072174816001248/icpw8k051116ex99_1.htm)  
28

1 December 30, 2015. On February 4, 2016, Ironclad issued an invoice to itself whereby DRG  
2 Strategic, LLC (Bob Goldstein) supposedly sold 27,576 of the exact Kong Rigger gloves  
3 purchased on December 30, 2015 back to Ironclad for a total invoice amount of \$455,004. The  
4 shipping date was listed as 2/10/16 and the shipment was to go to “Ironclad Performance Wear.”

5 64. The difference between the price at which Ironclad sold the gloves to DRG  
6 Strategic and the price DRG Strategic sold the gloves back to Ironclad was a premium of  
7 \$41,364. As a result of the sale back to Ironclad, Ironclad issued a series of checks to DRG  
8 Strategic totaling \$41,364 (\$17,712 on March 2, 2016, \$12,852 on March 17, 2016 and \$10,800  
9 on April 18, 2016) and recorded an A/R offset of the full initial sale amount (\$413,640) to  
10 “reduce A/R bal due per Bill A” [referring to William/Bill Aisenberg].  
11

12 65. Then, on June 30, 2016, Ironclad recognized another bogus sale in the amount of  
13 \$219,597.84 to Meridian Global. Again, the order never shipped because, as noted above,  
14 Meridian Global was not a real customer. On June 28, 2016, DRG Strategic generated a purchase  
15 order for 16,776 of the “Kong Rigger Grip Cut 5 Glove.” The order price was \$219,597.84. The  
16 listed shipping service was UPS with a delivery date of 7/31/16. The purchase order requested  
17 delivery to Bob Goldstein at 5656 N. Central Expressway, Dallas, Texas 75206, which is a  
18 residential address.  
19

20 66. On June 30, 2016, Ironclad recorded a sale to Meridian Global of 16,776 Kong  
21 Rigger Quanta gloves, totaling \$219,597.84 in sales (Inv. No. 0214692).  
22

23 67. As before, the ordered goods never shipped to Meridian and remained in AMS’s  
24 warehouse, marked as “Will Call.”

25 68. On August 9, 2016, DRG Strategic, LLC issued a commercial invoice to Ironclad,  
26 selling back the 16,776 Kong Rigger Quanta gloves for \$248,955.84. The round-trip sale and  
27 return manipulation by Cordes and Aisenberg cost Ironclad another premium, this time for  
28

1 \$29,358. Ironclad paid DRG Strategic this premium in a check dated September 9, 2016 and  
2 issued a credit memo for \$219,597.84 described as “AR offset Meridian.”

3 69. On that last day of the second quarter of 2016, Ironclad also recognized a sale in  
4 the amount of \$176,005 to Two Water Trading, even though the shipping log indicated that the  
5 goods were not available. The Two Water Trading order did eventually ship, after payments in  
6 June, but not until July 8 and July 11, 2016 (*i.e.*, in the third quarter).

7  
8 70. These manipulations enabled Cordes to report a “4.3 percent sales increase” in the  
9 second quarter of 2016 and to assure investors that the company was “on path to solid growth at  
10 Ironclad.”

#### 11 **Fourth Quarter 2016**

12 71. Coming into the Fourth Quarter, Ironclad was again underperforming. Yet Cordes  
13 expressed great optimism to the Board. He said that the company would “gain momentum” and  
14 forecast a 20% increase in sales (2015’s fourth quarter sales were \$8.4 million) with “a potential  
15 up to \$11 million.” [IC 1821].

16  
17 72. In fact, the results for the fourth quarter of 2016 were hardly better than 2015, and  
18 again they were tarnished by end-of-quarter revenue manipulations. Two examples are described  
19 below.

#### 20 **Fourth Quarter 2016 – Action Specialties**

21 73. On December 30, 2016, Ironclad recorded an order from Action Specialties  
22 totaling \$99,321.12 in sales.

23 74. AMS’s shipping log indicated that the goods shipped on December 30, 2016. But  
24 the invoice for the sale contains a notation at the bottom: “DID NOT PHYSICALLY SHIP ON  
25 12-30-16.” In fact, the goods did not ship until January 5, 2017, as evidenced by the bill of  
26 lading.  
27

28 75. Thus, Ironclad improperly recognized revenues from the sale to Action Specialties



in the fourth quarter of 2016 that should have been recognized in the first quarter of 2017.

76. Cordes, Aisenberg, and Felton were parties to emails showing that the Action Specialties' order had not shipped until after the end of the quarter in which the revenues were recognized.

77. In addition to the Action Specialties' order, Ironclad improperly recognized revenues on a series of other customer orders that did not ship until the first quarter of 2017. In total, including Action Specialties, Ironclad prematurely recognized at least \$292,147 in sales in 2016 that should have been recognized in 2017.<sup>9</sup>

#### **Fourth Quarter 2016 – Meridian**

78. In addition to prematurely recognizes revenues, at the end of the fourth quarter of 2016, Ironclad also recognized another completely bogus sale to Meridian Global.

79. On December 29, 2016, DRG Strategic, LLC issued a purchase order for 95,796 EXO Motor Pro Utility gloves for \$332,445.48. The payment terms were "due upon receipt of invoice."

80. On December 30, 2016, Ironclad generated an invoice and recorded a sale of 95,796 EXO Motor Pro Utility gloves to Meridian Global for \$332,445.48. (Inv. No. 0225936).

<sup>9</sup> Each of the following transactions were improperly recorded as sales and revenue at the very end of December 2016, even though the actual ship date confirms that these revenues should not have been recognized until January 2017.

Customer	Invoice No.	Amount	Actual Ship Date
Mitre 10 Import Ltd	INV0225971	\$ 6,212	1/3/2017
Dival Safety Equipment, Inc.	INV0225930	\$10,286	1/3/2017
Vallen Distribution	INV0225939	\$ 8,951	1/3/2017
Grainger – Roanoke #936	INV0225915	\$13,342	1/3/2017
Gabriel Brothers	INV0225908	\$ 3,360	1/3/2017
Project Sales Corporation	INV0225949	\$29,441	1/4/2017
Grainger – Minooka #005	INV0225887	\$14,348	1/4/2017
Grainger – Minooka #005	INV0225910	\$ 7,691	1/4/2017
Grainger – Minooka #005	INV0225907	\$ 9,375	1/4/2017
Action Specialties	INV0225931	\$99,321	1/5/2017
Al Asayel Health & Safety FZE	INV0225898	\$40,460	1/6/2017
PDS International	INV0225970	\$49,360	1/19/2017

1 The shipping address was 3515 Brown Street, Suite 122, Dallas TX 75219.

2 81. According to AMS's records, the ship date for this order was December 30, 2016  
3 and marked "will call."

4 82. On February 20, 2017, DRG Strategic, LLC issued a commercial invoice to  
5 Ironclad to sell the same 95,796 gloves back to Ironclad for \$339,151.20.

6 83. Once again, Meridian was able to profit from the difference in price between the  
7 goods it "purchased" and those re-sold back to Ironclad.

8 84. As a result of Cordes's and Aisenberg's misconduct, in the fourth quarter of 2016,  
9 Ironclad recognized \$624,593 in additional revenues.  
10

### 11 **2016 Summary**

12 85. In 2016, Ironclad's reported sales—falsely enhanced by Cordes's and Aisenberg's  
13 illegal manipulations—of \$24,986,878, which was a 6% improvement over 2015, but barely 2%  
14 higher than 2013 (the year before they joined). In terms of profitability, 2016 was disastrous.  
15 The company lost \$962,016.

16 86. Capitalizing on their own misconduct, Cordes and Aisenberg authored a self-  
17 congratulatory letter to shareholders in March 2017, falsely bragging that "In 2016, the Ironclad  
18 team drove a 7% revenue increase."<sup>10</sup>  
19

### 20 **The Whistleblowers**

21 87. By accelerating and manipulating earnings, Cordes and Aisenberg must have  
22 known that their run was about to end. For one thing, by falsely boosting past results, future  
23 improvement became more challenging. Also, the volume and brazenness of their misconduct  
24 increased the likelihood of detection. As they did at Walls, Cordes and Aisenberg surely  
25 understood that their best chance to avoid a reckoning would be to sell the company. Moreover,  
26 the timing to do so was propitious. Several important shareholders had lost patience with  
27

28 <sup>10</sup> [https://www.sec.gov/Archives/edgar/data/1301712/000072174817000185/icpw8k032417ex99\\_1.htm](https://www.sec.gov/Archives/edgar/data/1301712/000072174817000185/icpw8k032417ex99_1.htm)

1 management's failure to deliver on promised improvements.

2 88. With the Board's consent, Cordes and Aisenberg began to explore the possibility  
3 of a strategic transaction, which would result in the sale of the company. In this process, Cordes  
4 and Aisenberg demanded that the Board amend their employment agreements to enhance their  
5 upside from a corporate sale. One significant change was the elimination of the "cause"  
6 exception to their 6-month severance right. With the change, Cordes and Aisenberg obtained the  
7 right to collect 6 months' severance after termination of their employment, regardless of the  
8 circumstances of their departure.  
9

10 89. In negotiating the amendment of their employment agreements in early 2017, at no  
11 time did Cordes and Aisenberg advise the Board that Ironclad had improperly recognized more  
12 than \$2 million in revenues. Nor did they disclose that they were both aware of and involved in  
13 bogus transactions and the improper accounting decisions. They also failed to disclose to the  
14 Board that Ironclad's books and records were inaccurate and that its publicly disclosed financials  
15 were erroneous and would require a restatement. Not knowing any of this, the Board acceded to  
16 Cordes's and Aisenberg's requested amendments.  
17

18 90. On March 9, 2017, Cordes and Aisenberg publicly disclosed Ironclad's fourth  
19 quarter and year-end results for 2016. The company's reported revenue exceeded the prior year's  
20 revenues by 7%. The number was falsely stated because of the prior year's manipulations, as the  
21 public was soon to discover.  
22

23 91. The first hint of Cordes's and Aisenberg's misconduct was revealed publicly on  
24 April 9, 2017, when Ironclad was forced by its auditors to reverse a sale from the fourth quarter  
25 2016. The transaction in question was an end-of-quarter sale to Grainger, which Ironclad had  
26 recorded in 2016, even though the goods did not ship until January 4, 2017.

27 92. On April 13, 2017 and on May 3, 2017, two employees "blew the whistle,"  
28

1 reporting the improper revenue recognition practices to the Chairman of Ironclad's Audit  
2 Committee. In response, on May 17, 2017, the Audit Committee launched an internal  
3 investigation, conducted by its outside counsel, Stubbs Alderton & Markiles, LLP, with forensic  
4 accounting assistance from RGP. Later Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden")  
5 was retained to supplement the internal investigation. On June 29, 2017, Skadden interviewed  
6 Cordes and Aisenberg.

7  
8 93. The investigation uncovered documents evidencing the fraudulent acts, which it  
9 categorized as follows:

- 10 a. Posting a sale of goods for product that never shipped;  
11 b. Posting a sale before goods shipped;  
12 c. Sending goods to a customer without a valid purchase order;  
13 d. Sending goods to a third-party warehouse or freight forwarder to simulate  
14 a shipment; and  
15 e. Delaying recording of a Return Goods Authorization to manage earnings.  
16

### 17 **Resignation**

18 94. With the investigation closing in, on July 4, 2017, Cordes and Aisenberg resigned  
19 from their respective positions as officers (and in the case of Mr. Cordes, as a director) of  
20 Ironclad.

## 21 **VI. OBJECTION TO CLAIM**

### 22 **Breach of Fiduciary Duty**

23 95. Paragraphs 1 to 94 are repeated and realleged as if set forth in full.

24 96. Based on the above-described misconduct, the inequitable actions on the part of  
25 Cordes and Aisenberg, and the claims and counterclaims described herein, the Committee objects  
26 to the Cordes Claim and the Aisenberg Claim, pursuant to Federal Rule of Bankruptcy Procedure  
27 3007 and request that the Claims be disallowed pursuant 11 U.S.C. § 502  
28

1           97. As senior executives of Ironclad, Cordes and Aisenberg owed the company a  
2 fiduciary duty, which required them to exercise their respective powers in good faith and with a  
3 view to the interests of the corporation. As fiduciaries, Cordes and Aisenberg had an obligation  
4 to disclose to Ironclad's Board of Directors material information necessary to enable the Board to  
5 make informed decisions.

6           98. As fiduciaries, Cordes and Aisenberg owed Ironclad a duty of loyalty and a duty of  
7 care, which requires them to put the company's interests above their own personal interests.

8           99. Cordes and Aisenberg breached their fiduciary duties by not supplying Ironclad's  
9 Board of Directors with material information necessary to enable them to make an informed  
10 decision about whether to amend their employment agreements to enable them to receive  
11 severance payments even if they voluntarily resigned or were terminated for cause.

12           100. The material information that they omitted to disclose included, *inter alia*, (a) that  
13 they were actively engaging in illegal acts and manipulations concerning Ironclad's sales and  
14 income figures; (b) that Ironclad's financial information was artificially inflated to make it appear  
15 that the company was performing better than it was; and (c) that the company's public financial  
16 disclosures were materially misstated and would likely require a costly restatement.

17           101. Cordes's and Aisenberg's breach of fiduciary duties relating to the amendment of  
18 their employment agreements renders those agreements void or voidable, and the Committee  
19 elects to void them.

20           102. Because the amendments to their employment agreements are void, Cordes and  
21 Aisenberg cannot recover severance under those amended provisions.

22  
23  
24  
25                           **Fraudulent Inducement**

26           103. Paragraphs 1 to 102 are repeated and realleged as if set forth in full.

27           104. Cordes and Aisenberg induced Ironclad's Board of Directors to enter into the  
28 amendments to their employment agreements by making false statements and omissions

1 concerning Ironclad's financial performance and their own bad acts as company executives.

2 105. The omissions and misstatements were material.

3 106. Ironclad's Board of Directors reasonably and justifiably relied on Cordes's and  
4 Aisenberg's misrepresentations and omissions in deciding to amend their employment  
5 agreements and recast their severance rights.

6 107. Ironclad was injured because of Cordes's and Aisenberg's misrepresentations and  
7 omissions by entering into the severance agreement, when it would otherwise have terminated  
8 their employment.  
9

#### 10 **Attorneys' Fees**

11 108. Paragraphs 1 to 107 are repeated and realleged as if set forth in full.

12 109. Cordes's and Aisenberg's claims for attorneys' fees must be denied because their  
13 claims are not covered by the Proprietary Inventions Agreement, but under the Indemnification  
14 Agreement and Arbitration Agreement, which do not provide for the recovery of legal fees on  
15 claims initiated by executives against Ironclad.  
16

### 17 **VII. COUNTERCLAIMS AND CAUSES OF ACTION AGAINST ALL DEFENDANTS**

#### 18 **First Cause of Action**

##### 19 **Breach of Fiduciary Duty**

20 110. Paragraphs 1 through 109 are incorporated herein by reference in support of each  
21 of the other claims and causes of action.

22 111. Cordes and Aisenberg were senior executives and officers of Ironclad and, as such,  
23 owed a fiduciary duty to the Committee which required them to put the company's interests  
24 above their own personal interests.  
25

26 112. Cordes and Aisenberg breached their fiduciary duties to Ironclad and the  
27 Committee, including the duty of loyalty and duty of care. Cordes and Aisenberg breached these  
28 duties, by *inter alia*, (a) engaging in illegal acts and manipulations concerning Ironclad's sales

1 and income figures; (b) producing records and public filings that included false financial  
2 information, artificially inflated to make it appear that the company was performing better than it  
3 was; (c) lying to the Board of Directors and omitting material facts; (d) failing to accurately  
4 maintain the company's books and records; and (e) grossly mismanaging, *inter alia*, the sales,  
5 inventory, and accounting functions at Ironclad.

6 113. Ironclad was injured as a direct and proximate result of Cordes's and Aisenberg's  
7 breach of fiduciary duties, and Cordes and Aisenberg benefited by the breach through continued  
8 employment and benefits arising under their employment agreements.

9 114. The Committee's actual damages have been significant in terms of the costs of  
10 investigating, restating, and disclosing Ironclad's misreported and fabricated sales and earnings;  
11 the substantial loss in the value of Ironclad's stock; the losses from the selloff of assets; and the  
12 enormous costs of the bankruptcy itself—all of which were caused by Cordes's and Aisenberg's  
13 actions.

14 115. The Committee is entitled to receive actual damages incurred as a result of  
15 Cordes's and Aisenberg's breach of fiduciary duties and punitive damages as a result of their  
16 willful and egregious misconduct.

## 17 **Second Cause of Action**

### 18 **Civil RICO (18 U.S.C. § 1962(c))**

19 116. Paragraphs 1 through 115 are incorporated herein by reference in support of each  
20 of the other claims and causes of action.

21 117. Cordes, Aisenberg, and others, including Tom Felton, conducted and participated  
22 in an enterprise through a pattern of racketeering activity that caused injury to Ironclad.

23 118. The enterprise is an association-in-fact of Cordes, Aisenberg, Felton, and possibly  
24 others. In this enterprise, Cordes, Aisenberg, and Felton infiltrated two companies, established  
25 themselves in key positions—Cordes as chief executive or president, Aisenberg in charge of  
26

1 finance, and Felton in an operational position. Once established in these position, Cordes,  
2 Aisenberg, Felton, and others created bogus transactions and otherwise manipulated the books  
3 and records of the target company to misrepresent the value of the company. At Walls, they were  
4 able to the sell the company, based on these false financial records, for artificially inflated values.  
5 At Ironclad, they were unable to sell the company because employees blew the whistle.

6 119. The pattern of racketeering activity consists of multiple acts of mail and wire fraud  
7 through illegal accounting manipulations that occurred over a period of many years, including an  
8 unspecified period while they were employed by Walls and then at Ironclad from at least 2015-  
9 2017.

10 120. Cordes and Aisenberg used the interstate wires and mails to implement their  
11 fraudulent schemes.

12 121. Cordes and Aisenberg acted with the requisite *mens rea* in that the accounting  
13 manipulations were conducted with their knowledge and, often times, with their direct  
14 participation.

15 122. Ironclad's business and property were injured directly by Cordes's and  
16 Aisenberg's racketeering activity, which caused it to incur professional costs in connection with  
17 the investigation, correction, and restatement of its financials, triggered violations of creditor debt  
18 covenants, and resulted in the filing of a voluntary bankruptcy proceeding and consequent sale of  
19 Ironclad's business.

20 123. The Committee is entitled to recover from Cordes and Aisenberg threefold the  
21 damages sustained by Ironclad as a result of their violations of 18 U.S.C. § 1962.

22 **Third Cause of Action**

23 **Declaratory Judgment**

24 124. Paragraphs 1 through 123 are incorporated herein by reference in support of each  
25 of the other claims and causes of action.





1 report misconduct to the company's Board of Directors or Audit Committee.

2 134. Cordes's and Aisenberg's breaches of the Code caused Ironclad to suffer damages,  
3 including not only the damage to the company from the investigation, restatement, and forced  
4 sale, but also by paying salaries and benefits to Cordes and Aisenberg that the Company  
5 otherwise would not have paid.

6 135. The Committee is entitled to recover compensatory damages, consequential  
7 damages, and restitution of all salary and benefit payments made to Cordes and Aisenberg as a  
8 result of their multiple breaches of contract.  
9

#### 10 **Fifth Cause of Action**

##### 11 **Faithless Servant**

12 136. Paragraphs 1 through 135 are incorporated herein by reference in support of each  
13 of the other claims and causes of action.

14 137. As officers and, in the case of Cordes, as a director, Cordes and Aisenberg owed  
15 Ironclad a duty of loyalty and the utmost good faith.

16 138. Cordes and Aisenberg breached their duties of loyalty and good faith by engaging  
17 in fraudulent and improper transactions for the purpose of masking their own poor performance,  
18 by lying about the company's financial performance, by engaging in fraudulent transactions with  
19 third parties to manipulate the company's books and records, and by failing to make an honest  
20 account of their prior misconduct at Walls.  
21

22 139. As faithless agents, Cordes and Aisenberg were not entitled to receive the wages  
23 and stock-based compensation that they received from Ironclad and were unjustly enriched.

24 140. Cordes's and Aisenberg's bad faith permeated the performance of their duties and  
25 their disloyalty permeated the services they provided in its most substantial and material part.  
26

27 141. In equity and good conscience, Cordes and Aisenberg should not be permitted to  
28 retain the benefits from their faithless performance of duties.

1           142. The Committee is entitled to recover from Cordes and Aisenberg in restitution all  
2 amounts paid to them as compensation for their disloyal services.

3  
4                           **VIII. CONCLUSION AND PRAYER**

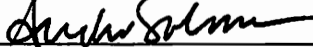
5           WHEREFORE, on the basis of the foregoing, Plaintiff respectfully requests a judgment or  
6 orders against the Claimant-Defendants as follows:

- 7           (a) an order disallowing the Claim, in whole or in part;  
8           (b) an order awarding actual damages and punitive damages to Plaintiff against each  
9 Defendant;  
10           (c) an order directing payment to Plaintiff of such amounts by which the Defendants  
11 are found to have been unjustly enriched;  
12           (d) an order awarding treble damages for the financial injuries caused by Defendants'  
13 racketeering activities;  
14           (d) an order awarding the reasonable and necessary costs and attorneys' fees incurred  
15 in bringing and prosecuting this objection and counterclaim; and  
16           (e) such other and further relief as the Court deems appropriate.

17           Dated: January 26, 2017

Respectfully submitted,

SOLOMON & CRAMER LLP

18 By   
19           Andrew T. Solomon  
20           Jennifer G. Cramer

21           Attorneys for the Official Committee of  
22           Equity Security Holders  
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